

Presented pursuant to Postal Services Act 2000, Sch 2, Section 16 (3 & 4)

Consumer Council for Postal Services Account 2004-2005

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Foreword

1 Format of Annual Accounts

These Accounts have been prepared in a form directed by the Secretary of State for Trade and Industry with the approval of the Treasury in accordance with paragraphs 15-17 of Schedule 2 of the Postal Services Act 2000.

2 History of the Council

The National Council operates through its nine committees covering the United Kingdom. There are committees for Scotland, Wales and Northern Ireland and six regions covering England.

The Council Members are appointed by the Secretary of State for Trade and Industry and are appointed for a period of three years with an option of a further period of up to three years subject to a review of performance. The Regional Chairmen are also members of the National Council.

Council Members during the year are (see page 29 for further details)

Peter Carr (Chairman)	Dr Tom Begg OBE JP (deputy chairman)
Moi Ali	Clara Arokiasamy
Dr Diane Bailey	Dr David Bland OBE
Helen Charlton	Kay Dixon
Judith Donovan CBE	Charles Howeson
Eifion Pritchard QPM	John Stringer OBE
Richard Ward	Dr Charles Winstanley

Management Board Members during the year are (see page 19 for further details)

Gregor McGregor (Chief Executive and Accounting Officer)	
Ian Leigh (Managing Director)	Ian Fisher (Senior Director)
Jock Chambers (Senior Director)	Andy Frewin (Senior Director)
Gillian Richmond (Senior Director)	

A copy of the Register of Interests of Council Members can be obtained on request from Postwatch.

A copy of the Gifts and Hospitality Register will also be made available.

3 Statutory background

The Consumer Council for Postal Services (Postwatch) was established on 1 January 2001 under the Postal Services Act 2000. The Consumer Council is designated as an executive non-departmental public body (NDPB) and is funded through grant-in-aid from the Department of Trade and Industry (DTI). The cost is recouped by the Exchequer from the licence fees paid by operators of postal services.

4 Principal activities of Postwatch

These are included in the annual report.

5 Results

These are the fourth statutory accounts to be produced by Postwatch and cover the period from 1 April 2004 to 31 March 2005. Much has been achieved in the year with continuing improvements to financial control, management and organisational processes and to embedding risk management. During 2003-2004 Postwatch started a Resource Accounting and Budgeting Project (RAB), which has, from the 1 April 2005, been extended to cover regional offices, with the full benefits from a more effective means of financial control and reporting accruing during 2005-2006.

The operating surplus for the period before the notional cost of capital and taxation amounted to £93,000 (2004: £60,000 - a surplus). The corporation tax charge was £nil (2004: £nil).

6 Significant changes in fixed assets

The movement in fixed assets is shown on pages 23 and 24 of the accounts. IT assets provided under a lease agreement were treated as finance lease assets for 2003-2004 accounts. Renegotiation of this lease has changed the characteristics to those of an operating lease. The accounts have been prepared to reflect an in year change from finance leased to operating leased assets.

7 Research and development

These are included in the annual report

8 Future developments

These are included in the annual report.

9 Post balance sheet events

Postwatch is challenging the Royal Mail's interpretation of the bulk mail compensation scheme and has sought judicial review on Postcomm's acceptance of Royal Mail's interpretation. Postwatch considers there has been a shortfall in compensation payments of up to £40 million. A date for the hearing has yet to be announced but it is likely to be around October of this year. Postwatch has been advised it has a strong case and if successful should expect to be awarded between 65%-70% of its costs. Postwatch's costs have been estimated at £250,000.

10 Better payment practice code

Postwatch agrees to pay its suppliers in accordance with the Better Payment Practice Code unless other payment terms are agreed. The key principles are to settle the terms of payment with suppliers when agreeing the transaction; to settle disputes on invoices without delays; to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment. Excluding disputed items, 82% per cent of suppliers' invoices were paid within 30 days of the suppliers' invoice date. No interest was paid under the Late Payment of the Commercial Debts (Interest) Act 1998.

11 Employment issues

Postwatch aimed to be a good employer during the period by means of a

- Pay and Grading System;
- Staff Performance Management System;
- Staff Appraisal System;
- Recruitment Policy;
- Developed Human Resource Policies and Practices; and
- Section 75 Northern Ireland Act¹.

12 Disabled employees

Postwatch has an active policy whereby no job applicant or member of staff receives less favourable treatment on the grounds of disability. We comply with the requirements of the Disability Discrimination Act. Disability awareness training is to be given to staff. We provide open access to specialist training, counselling or advisory services to disabled members of staff in order to assist their personal and work-orientated development as a matter of course.

13 Provision of information to employees

Postwatch has a policy of maximising communication throughout the organisation exemplified in our well established Staff Consultative Committee (SCC). The SCC is the main vehicle for consultation with staff on all issues affecting terms and conditions of employment, including pay and reward issues. We also use workshops to which all staff are invited where we propose to make any major changes to our terms and conditions of employment. In addition we have an Intranet system and Extranet system supported by hard copies of Office and Vacancy notices.

14 Equal opportunities

Postwatch is committed to the principle and practice of equality of opportunity. Postwatch's Equal Opportunity Policy aims to ensure that we employ staff who reflect the diverse community at large and that we value the individual contribution of people irrespective of their personal circumstances or background. Being fair to people is at the heart of that commitment. The aim is to ensure that no member of staff or job applicant should receive less favourable treatment on grounds of gender, race, disability, ethnic or national origin, age, religion, marital status, caring responsibilities, alternative working patterns, sexual orientation, trade union activity or political beliefs. Our policy complies with all statutory obligations and is in line with Government Policy.

¹ Each public authority is required, in carrying out its functions relating to Northern Ireland, to have due regard to the need to promote equality of opportunity between different individuals and groups.

15 Going concern

The accounts show a surplus for the year of £75,000 reducing the carried forward deficit from £261,000 to £186,000. To the extent that the deficit is not met from any other sources of income, it may only be met by future grant-in-aid from Postwatch's sponsoring department, the DTI. This is because under the normal conventions applying to Parliamentary control over income and expenditure, such grant-in-aid may not be issued in advance of need. There is no reason to believe that the Department's future sponsorship will not be forthcoming within the capital and resource budgets set by the Spending Review Settlements, and it has accordingly been considered appropriate to adopt a going concern basis for the preparation of the financial statements.

16 Auditors

The Comptroller and Auditor General (C&AG), who has been appointed under statute and reports to Parliament, audits the financial statements of Postwatch. The work is conducted by the C&AG's staff in the National Audit Office (NAO).

The audit fee for providing audit services was £30,000. A further £1,175 has been incurred on the audit of a Twinning Light contract; there was no other auditor remuneration (actual or notional).

The primary role of Internal Audit is to provide the Accounting Officer and the Audit Committee, with an objective evaluation of, and opinions on, the effectiveness of Postwatch arrangements for risk management, control and governance. An annual plan was endorsed by the Management Board and the Audit Committee for 2004-2005. Recommendations arising from the audits undertaken have been endorsed by the Audit Committee and are being addressed by Postwatch management and implemented within the existing system of internal control. The implementation of recommendations is monitored by Internal Audit and reported to the Audit Committee.

Gregor McGregor
Chief Executive & Accounting Officer

13 July 2005

Statement of Accounting Officer's responsibilities

Under Paragraph 16 (1), Schedule 2 of the Postal Services Act 2000 the Secretary of State with the approval of the Treasury has directed Postwatch to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of Postwatch's state of affairs for the period-end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts, Postwatch is required to

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departure in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume Postwatch will continue in operation.

The Accounting Officer for the DTI has appointed the Chief Executive of Postwatch as Accounting Officer. His relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances and for keeping proper records, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in 'Government Accounting'.

Statement on the System of Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Postwatch's aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in 'Government Accounting'.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on a continuing process designed to identify and prioritise the risks to the achievement of Postwatch's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Postwatch during the year ended 31 March 2005 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

As Accounting Officer, I also have responsibility for reviewing our capacity to handle risk.

The National Council meets nine or ten times a year to consider the plans and overall strategic direction of Postwatch.

The Management Board meets on a monthly basis to manage all executive activities. The Management Board is responsible for identifying and reviewing risks, which are set out in our risk register, against Postwatch's objectives. Postwatch policy identifies the roles of the National Council, the Audit Committee, the Management Board, myself and the wider management team in managing risk in the organisation. In particular, the Audit Committee is responsible for reviewing annually the effectiveness of internal control in Postwatch, based on information provided by the Management Board, and making a report to the National Council.

The risk and control framework

The key responsibilities of the wider management team, which is in addition to the regular reviews by the Management Board, and which comprises Management Board members and all others with managerial responsibilities in Postwatch, are to

- manage risk in their own areas of responsibility through the implementation of risk mitigation processes and by following the overall risk policies for Postwatch;
- translate the risk register into day-to-day team planning;
- report to the Management Board on the status of risks and controls; and
- participate in the annual review of effectiveness of the system of internal control and contribute to the Management Board report to the Audit Committee.

The new financial control and reporting system implemented on 1 April 2004 has improved and enhanced financial reporting and budgetary control. Control has been further improved by rolling this system out to our nine regional offices, becoming active on 1 April 2005. Utilising the online purchase ordering and invoice processing was delayed during the year due to the need for comprehensive training and time constraints; however much progress has been made with work completed in June 2005.

Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within Postwatch who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the National Council, the Management Board and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

- The Management Board regularly reviews the effectiveness of the system through its risk and control reviews, reviews of internal and external audit reports and through weaknesses identified or brought to its attention as part of the management process.
- The Audit Committee, which meets five to six times a year, reviews the effectiveness of the system through its review of internal and external audit and other reports and also through its own initiatives. The Audit Committee Chairman in turn reports on issues of control to the National Council.
- Internal Audit agrees its forward workplan with the Audit Committee and reports back to the Audit Committee with its findings.

Postwatch has established and maintains arrangements for internal audit in accordance with the objectives, standards, scope and practices set out in the Treasury's Government Internal Audit Standards.

Postwatch Audit Committee

The Postwatch Audit Committee was established three years ago. The members of the Audit Committee are elected from the National Council and are currently two Regional Chairmen and one National Member. I am invited to attend and we invite our external auditors, the NAO, our Internal Auditors and our Head of Finance to attend each meeting. During this financial period we have held six Audit Committee Meetings.

The Audit Committee has Terms of Reference from the National Council, which includes a remit to consider the adequacy of risk management and internal control.

The internal audit function provides assurance on risk management and governance and control processes.

Other Committees

Postwatch has a Remuneration Committee which has agreed Terms of Reference and meets three times a year to discuss pay issues. The Committee is comprised of one Regional Chairman and two National Members. The Remuneration Committee in addition takes an active role in monitoring the operation of our Pay and Grading System.

The Finance Committee has been established with the principal purpose of 'Resolving issues where Council direction of the priorities of competing demands for resource was required'. The Finance Committee is comprised of the National Chairman, one Regional Chairman, one Council Member and myself. The Committee's focus is centred on the in-year budget for Postwatch.

Significant internal control problems

There were no significant control problems during the year.

Following the internal control problems referred to in the 2003-2004 statement of internal control, steps were taken during 2004-2005 to tighten controls and compliance with them, in the areas of procurement and contracts and financial and budgetary probity. Both our own internal audit and that of DTI reviewed our progress in these matters, as has the Audit Committee.

Work continues to be undertaken to improve controls, with the close co-operation and guidance from both our external and internal auditors, seeking further improvements and efficiencies where possible under our policy for continual improvement.

Gregor McGregor
Chief Executive & Accounting Officer

13 July 2005

The Certificate and Report of the Comptroller and Auditor General to the House of Parliament

I certify that I have audited the financial statements on pages 12 to 29 under the Postal Services Act 2000. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 15 and 16.

Respective responsibilities of the Consumer Council for Postal Services, the Accounting Officer and Auditor

As described on page 6 the Consumer Council for Postal Services and the Accounting Officer are responsible for the preparation of the financial statements in accordance with the Postal Services Act 2000 and Secretary of State for the Department of Trade and Industry directions made thereunder and for ensuring the regularity of financial transactions. The Consumer Council for Postal Services and the Accounting Officer are also responsible for the preparation of the other contents of the Foreword. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Postal Services Act 2000 and Secretary of State for the Department of Trade and Industry directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Consumer Council for Postal Services has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 7 to 9 reflects the Consumer Council for Postal Services' compliance with the Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by the Treasury, or if the statement is misleading or inconsistent with other information of which I am aware from my audit of the financial statements. I am not required to consider, nor have I considered, whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Consumer Council for Postal Services's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Consumer Council for Postal Services and the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Consumer Council for Postal Services's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion

- the financial statements give a true and fair view of the state of affairs of the Consumer Council for Postal Services at 31 March 2005 and of the surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Postal Services Act 2000 and directions made thereunder by the Secretary of State for the Department of Trade and Industry; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements

John Bourn
Comptroller and Auditor General

15 July 2005

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London SW1W 9SP

Income and Expenditure Account for the year ended 31 March 2005

	Notes	2004-2005 £000	2003-2004 £000
Income			
Grant-in-Aid	2a	10,356	10,276
Twinning Light Project – EU Funded	2b	49	0
Total income		10,405	10,276
Administration costs			
Staff costs	3	4,521	4,004
Other administrative costs	4	5,791	6,212
Total operating expenditure		10,312	10,216
Operating surplus/(deficit)		93	60
Interest receivable	5	28	15
Notional cost of capital	6	(25)	(27)
Other interest payable		0	(2)
Finance charges payable on leases		(46)	(63)
Surplus/(deficit) on ordinary activities before taxation		50	(17)
Taxation		0	0
Surplus/(deficit) on ordinary activities after taxation		50	(17)
Add back notional cost of capital		25	27
Surplus/(deficit) for year		75	10
(Deficit)/surplus brought forward		(261)	(271)
Deficit carried forward		(186)	(261)

All amounts relate to continuing operations.

Statement of Total Recognised Gains and Losses

	2004-2005 £000	2003-2004 £000
Surplus for financial year	75	10
Net gain on revaluation of tangible fixed assets	86	0
Total gains and losses recognised since last annual accounts	161	10

The notes on pages 15 to 28 form part of these financial statements.

Balance Sheet as at 31 March 2005

	Notes	As at 31 March 2005 £000	As at 31 March 2004 £000
Fixed assets			
Intangible assets	7	339	185
Tangible assets	8	1,173	1,299
Current assets			
Debtors	9	313	361
Cash at bank and in hand		622	604
Total assets		2,447	2,449
Creditors: amount payable within one year	10	827	1,207
Net current assets/(current liabilities)		108	(242)
Total assets less current liabilities		1,620	1,242
Creditors: amount payable after more than one year	10	560	659
Provisions for liabilities and charges	11	187	0
Total assets less total liabilities		873	583
Represented by			
Deficit on Income & Expenditure account		(186)	(261)
Government grant reserve	15	973	844
Revaluation reserve	16	86	0
		873	583

Approved

Gregor McGregor
Chief Executive & Accounting Officer
Consumer Council for Postal Services (Postwatch)

13 July 2005

The notes on pages 15 to 28 form part of these financial statements.

Cash Flow Statement for the year ended 31 March 2005

	Note	2004-2005 £000	2003-2004 £000
Net cash inflow/(outflow) from operating activities (Note a)		588	406
Net returns on investments and servicing of finance(note b)		(18)	(49)
Financing – capital element of finance lease payments		(32)	0
Capital expenditure(Note c)		(520)	(92)
Increase/(decrease) in cash in the period		18	265
Reconciliation of net cash flow to movement in net funds			
Movement in net funds in the period		18	265
Net funds brought forward		604	339
Net funds carried forward		622	604
Note a			
Reconciliation of operating profit to operating cashflows			
Operating surplus/(deficit)		93	60
Depreciation charge		339	517
Decrease/(increase) in debtors		48	(151)
(Decrease)/increase in creditors		(273)	386
Increase in provisions		187	0
Revaluation loss		11	0
Loss/(profit) on disposal of fixed assets		4	(35)
Write off of minor assets		38	0
Other non cash adjustments		12	0
Movement in government grant reserve	15	129	(371)
Net cash inflow/(outflow) from operating activities		588	406
Note b			
Returns on investments and servicing of finance			
Interest paid less interest received		28	(49)
Finance lease interest payments		(46)	0
		(18)	(49)
Note c			
Capital expenditure and financial investment			
Payments for intangible fixed assets		(276)	(119)
Payments for tangible fixed assets		(244)	(176)
Proceeds from sale of tangible fixed assets		0	203
		(520)	(92)

The notes on pages 15 to 28 form part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

1.1 Statement of accounting policies

The Financial Statements have been prepared in accordance with the 2004-2005 NDPB guidance issued by HM Treasury. The accounting policies in the guidance follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where guidance permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of Postwatch for the purpose of giving a true and fair view has been selected. The particular accounting policies adopted by Postwatch are described below. They have been applied consistently in dealing with items considered to be material in relation to the accounts. The Financial Statements are in accordance with the Accounts Direction issued by the Secretary of State on 3 May 2002 with the approval of HM Treasury.

1.2 Accounting conventions

These accounts have been prepared under the modified historical cost convention.

1.3 Fixed assets and depreciation

Assets are revalued annually using indices provided by the Office of National Statistics and adjustments are made to values where material. Depreciation is provided on all tangible and intangible fixed assets at rates calculated to write off the cost or valuation of each asset, less any estimated residual value, evenly over its expected useful life. The expected useful lives of the principal categories are

Furniture and fittings	5 years
Computer equipment	3 years
Motor vehicles	4 years
Software licences	3 years
Leasehold improvement	15 years, term of the lease

All capital expenditure over £1000 is capitalised in the year purchased. Where capital expenditure such as furniture and IT equipment is bought in lots these are grouped together and capitalised.

1.4 Government grants

Grant-in-Aid is receivable by the Council in order to discharge its functions under the Postal Services Act 2000. Grant of a revenue nature is credited to income in the year to which it relates. Grant receivable for capital expenditure is credited to a deferred Government Grant account and released to the Income and Expenditure Account over the expected useful lives of the relevant assets.

1.5 Value Added Tax

Irrecoverable Value Added Tax is included with the expenditure to which it relates.

1.6 Operating and finance leases

Where substantially all risks and rewards of ownership are borne by Postwatch, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease, and included under creditors. The interest element of the finance lease payment is charged to the income and expenditure account over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the income and expenditure account on a straight line basis over the term of the lease.

1.7 Capital charge

The charge, reflecting the cost of capital utilised by Postwatch is included in the operating costs. The charge is calculated at the real rate set by HM Treasury (3.5 percent for the years 2003-2004 and 2004-2005) on the average carrying amount of all assets less liabilities.

1.8 Research

Expenditure on research is written off in the year in which it is incurred.

1.9 Pensions

Past and present employees are covered by the provisions of the Civil Service Pension Schemes (PCSPS), which are described at note 3. The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependants' benefits and additional employee contributions to the Classic Plus and Premium schemes. Postwatch recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the schemes, Postwatch recognises the contributions payable for the year.

No recognition of the staff PCSPS scheme is or will be made in Postwatch's accounts as this is a multi-employer scheme and liability for payment of future benefits does not lie with Postwatch.

There is also a partnership pension available to employees, which is a stakeholder-type arrangement. Further details of this pension arrangement are set out in note 3.

2a Grant-in-Aid

Grant-in-aid for revenue expenditure and capital projects received from DTI.

	Notes	2004-2005 £000	2003-2004 £000
Amounts receivable and received		10,485	9,905
Grant-in-aid used to acquire fixed assets	15	(533)	(314)
Release from deferred grant-in-aid fixed asset expenditure			
Current year	15	404	685
		10,356	10,276

2b EU Income – Twinning Light Project

	2004-2005 £000	2003-2004 £000
Income accrued for Twinning Light Project in Malta	49	0

3 Staff and Council costs

Salaries and related costs of seconded staff, including pension contributions, are paid directly by the DTI and then recharged to the Council. Salaries of permanent and temporary staff are paid directly by the Council.

Total staff costs including the Chief Executive were

	2004-2005 £000	2003-2004 £000
Wages and salaries	3,841	3,372
Social security costs	293	273
Pension contributions	387	359
	<u>4,521</u>	<u>4,004</u>

Average monthly number of employees during the year

	No.	No.
Policy	10	10
Operations	29	27
External relations (consumer advisors)	35	23
South East/London regional office	11	11
Other regions	22	17
Network	13	15
Executive	3	4
	<u>123</u>	<u>107</u>

Average monthly number of Council Members during the year

	2004-2005 No.	2003-2004 No.
Chairman	1	1
Regional Chairmen	9	9
National Council Members	4	4
	<u>14</u>	<u>14</u>

Council Members' Costs	£000
P Carr (Chair)	46
M Ali *	6
Dr D Bailey *	7
Dr T Begg OBE, JP	32
K Dixon	32
J Donovan CBE	32
C Howeson	32
E Pritchard, QPM	26
J Stringer OBE	32
R Ward	32
Dr D Bland OBE	32
Dr C Winstanley	26
C Arokiasamy *	6
H Charlton*	4
Total for the year to 31 March 2005	<u>345</u>

* These Council members are remunerated on the basis of daily rates and not salaries.

Council members are appointed by the Secretary of State for Trade and Industry. Their appointment is for an initial period of three years, subject to a review of performance after one year, with the possibility of an extension for a further three years thereafter.

Remuneration and Pension entitlements earned by the Chairman and the Management Board Members

2004-2005

Name Position	Salary, including performance pay (£000)	Benefits in Kind	Real increase in pension and related lump sum at age 60 (£000)	Total accrued pension at age 60 at 31 March 2005 and related lump sum (£000)	CETV at 31 March 2004 (£000)	CETV at 31 March 2005 (£000)	Real increase in CETV after adjustment for inflation and changes in market investment factors (£000)	Employer's contribution to partnership pension account including risk benefit cover (£000)
<i>Chairman</i>								
Peter Carr (Last year)	46 (37)	0	3.7	12.2	35	51	16.0	0
<i>Chief Executive</i>								
Gregor McGregor (Last year)	118 (105)	0	3.6	51.5	593	675	41.9	0
<i>Senior Director</i>								
Ian Fisher**	See below	0	11.0	118.7	419	489	44.3	0
<i>Senior Director</i>								
Jock Chalmers**	See below	0	1.7	100.3	362	391	6.1	0
<i>Senior Director</i>								
Andy Frewin**	See below	0	4.7	96.6	300	335	15.3	0
<i>Senior Director</i>								
Gillian Richmond **	See below	0	Not joined PCSPS as at 31 March 2005					
<i>Managing Director</i>								
Ian Leigh**	See below	0	3.6	98.0	349	397	21.2	0

The members of the Management Board were Gregor McGregor, Jock Chalmers, Ian Fisher, Andy Frewin, Ian Leigh and Gillian Richmond.

Jock Chalmers resigned effective 31 January 2005.

Gillian Richmond from 22 February 2005.

** Consent to disclose was withheld. These Board Members have agreed, whilst satisfying their concerns for confidentiality, to disclose the following salary band details.

Band £000	2004-2005 No. of Staff	2003-2004 No. of Staff
05 to 10	1	0
55 to 60	1	0
65 to 70	0	3
70 to 75	0	1
75 to 80	3	0

Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

Benefits in Kind

No members of the Management Board received any Benefit in Kind.

Pension

Pension benefits are provided through the CSP arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (Classic, Premium, and Classic Plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium, and Classic Plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of Premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for Classic and 3.5% for Premium and Classic Plus. Benefits in Classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic Plus is essentially a variation of Premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per Classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Further details about the CSP arrangements can be found at the website www.civilservice-pensions.gov.uk

Columns 5 & 6 of the above table show the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. Column 7 reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-2004 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Pension schemes

The PCSPS is an unfunded multi-employer defined benefit scheme but Postwatch is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003 and details can be found in the resource accounts of the Cabinet Office: Civil Service Superannuation (www.civilservice-pensions.gov.uk).

Superannuation benefits are provided under the Principal Civil Service Pension Scheme (PCSPPS). The Council's employees are members of the Principal Civil Service Pension Scheme (PCSPPS). The scheme is non contributory for employees, apart from widows' and widowers' benefits and additional contributions to the Classic Plus and

Premium schemes. Employer contributions of £ 379,431 were payable to the PCSPS for the year 2004-2005 (2003-2004 was £347,876), individual contribution rates vary depending on the level of superannuable pay, as stated below

Earnings	Contribution
Up to £17,000	12%
£17,001 - £35,000	13.5%
£35,001 - £60,500	16.5%
£60,501+	18.5%

From 2005-2006 the salary bands will be revised and the rates will be in a range between 16.2% and 24.6%.

The contribution rates reflect benefits as they accrue, not the costs as they are incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £7,965 were paid to one or more stakeholder pension providers. Contributions due to the partnership pension providers at the balance sheet date were £846.

The Classic Scheme

Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of 1.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

The Premium Scheme

As with the Classic scheme employer contributions will vary depending upon the level of superannuation pay in accordance with the bandings above.

Benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths the member's pension (before any commutation). On death in service, the scheme pays a lump-sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

The Classic Plus Scheme

This is essentially a variation of Premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per Classic.

Pensions payable under Classic, Premium, and Classic Plus are increased in line with the Retail Prices Index.

The Partnership Scheme

This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3% (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up 25% of the fund as a lump sum.

4 Other administrative costs

	2004-2005	2003-2004
	£000	£000
Council and secretarial expenses	1,275	1,677
Contract termination costs	0	103
Networking, travel and subsistence	379	430
Office costs, including postage, computer, copying and telephones	824	564
Printing and publishing	82	77
Research	212	306
Training	46	59
Publicity	90	97
Professional fees	1,199	1,388
Rent, rates and associated services**	833	706
Miscellaneous	23	22
Depreciation and amortisation	294	496
Depreciation of finance assets	44	21
Write down of cancelled assets	38	0
Loss/(profit) on disposal of fixed assets	4	(35)
Auditors' remuneration*	30	28
Internal conference costs	29	35
External conference costs	3	61
Equipment hire**	346	121
Office machinery maintenance	29	56
Loss on revaluation of fixed assets	11	0
	<u>5,791</u>	<u>6,212</u>

* Audit fees related only to statutory audit work.

** Operating lease payments charged to administrative costs

- on plant and machinery is £346,000 (2003-2004: £121,000)
- on other is £650,000 (2003-2004: £554,000)

5 Interest receivable and payable

	2004-2005	2003-2004
	£000	£000
Receivable from the bank for funds on short-term deposit (net)	<u>28</u>	<u>15</u>

6 Capital charge

	2004-2005 £000	2003-2004 £000
At 3.5% (2004: 3.5%) on the average of total assets less total liabilities for the year	<u>25</u>	<u>27</u>

7 Intangible fixed assets

	Software licences £000	Payment on account £000	Total cost £000
At 1 April 2004	230	89	319
Additions*	257	0	257
Completed in year	89	(89)	0
At 31 March 2005	<u>576</u>	<u>0</u>	<u>576</u>
Amortisation			
At 1 April 2004	134	0	134
Provided during the year	103	0	103
At 31 March 2005	<u>237</u>	<u>0</u>	<u>237</u>
Net Book Value			
At 31 March 2005	<u>339</u>	<u>0</u>	<u>339</u>
At 31 March 2004	<u>96</u>	<u>89</u>	<u>185</u>

* Software licences additions include the costs of associated software, it is not possible to separately identify these assets.

8 Tangible fixed assets

	Leasehold improvements £000	Furniture and fittings £000	Computer equipment £000	Total cost £000
Cost or valuation				
At 1 April 2004	866	549	491	1,906
Additions	87	55	102	244
Cancelled assets*	0	(31)	(27)	(58)
Disposals	0	0	(4)	(4)
Reclassification of assets **	(88)	42	(122)	(168)
Revaluation gain/(loss)	69	41	(42)	68
At 31 March 2005	934	656	398	1,988
Depreciation				
At 1 April 2004	89	252	266	607
Provided during the year	56	124	57	237
Cancelled assets*	0	(11)	(9)	(20)
Depreciation on disposal	0	0	0	0
Reclassification of assets	(10)	7	1	(2)
Revaluation gain/(loss)	7	17	(31)	(7)
At 31 March 2005	142	389	284	815
Net book value				
At 31 March 2005	792	267	114	1,173
At 31 March 2004	777	297	225	1,299
Asset financing				
Owned	454	267	114	835
Finance leased	338	0	0	338
Net book value as at 31 March 2005	792	267	114	1,173

* Cancelled assets represent the writing off of assets under £1,000 following the increase in the capitalisation threshold from £100 to £1,000.

** Renegotiation of a finance lease, for the provision of IT equipment, to an operating lease has resulted in IT assets being reclassified off balance sheet.

9 Debtors

	As at 31 March 2005 £000	As at 31 March 2004 £000
Amounts falling due within one year		
Prepayments and accrued income	301	292
Other debtors	12	69
	313	361

10 Creditors

	As at 31 March 2005 £000	As at 31 March 2004 £000
Amounts falling due within one year		
Trade creditors	107	549
Accruals	551	369
Other taxation and social security	109	189
Other creditors	13	2
Deferred income	13	13
Lease payments due	34	85
	827	1,207
Amounts falling due after more than one year		
Accruals	50	0
Deferred income	91	104
Lease payments due	419	555
	560	659

Deferred income arises from rent free periods at the beginning of property leases. The benefit is spread over the term of the lease.

11 Provisions for liabilities and charges

	Leasehold obligations £000	Other £000	Total £000
Balance at 1 April 2004	0	0	0
Provided for in year	92	95	187
Utilised in year	0	0	0
Balance at 31 March 2005	92	95	187

Leasehold obligations relate to obligations under the terms of the lease agreement for Postwatch's Grosvenor Gardens premises. Payments for these obligations are to be made in 2005-2006.

The other provision relates to legal costs on cases being heard during 2005-2006 to which Postwatch were committed to at the 31 March 2005.

12 Related party transactions

Postwatch is a non-departmental public body sponsored by the Department for Trade and Industry (DTI). The DTI is regarded as a related party, as are other entities sponsored by the DTI.

The following two Council members had transactions in the year with Postwatch.

Peter Carr, the Chairman, is also the Chairman of Goldhammer Limited. Goldhammer Limited wholly owns Dovetail Foks from which Postwatch purchase travel tickets. The total transactions between Postwatch and Dovetail Foks in the year were £29,893. The balance outstanding at the year-end was £2,987.

Charles Howeson, South and West Regional Chairman, owns 100% of the share holding in Eko Tek Power Limited which provides Postwatch with regional administrative assistance. The total activity between Eko Tek Power Limited and Postwatch was £19,771. The balance outstanding at the year-end was £1,647.

13 Obligations under operating leases

The minimum lease payments to which Postwatch is committed under operating leases for the coming year are

	As at 31 March 2005 £000	As at 31 March 2004 £000
<i>On property leases expiring</i>		
After more than five years	689	599
<i>On property leases expiring</i>		
Between two and five years	0	46
<i>On property leases expiring</i>		
Less than one year	47	0
<i>On office equipment leases expiring</i>		
Between two and five years	334	134
	1070	779
On other leases expiring		
<i>On motor vehicle leases expiring</i>		
Between one and two years	0	6
<i>On motor vehicle leases expiring</i>		
Less than one year	2	0
<i>On car parking space leases expiring</i>		
Between two and five years	0	12
	2	18
Total annual obligations under operating leases	1072	797

14 Obligations under finance leases

The minimum lease payments to which Postwatch is committed under finance leases for the periods of the leases are

	As at 31 March 2005 £000	As at 31 March 2004 £000
On property fit out		
Less than one year	78	78
Between one and five years	312	312
Due thereafter	260	331
Total	650	721
Less interest element	(197)	(236)
Capital due	453	485
On IT equipment		
Less than one year	0	197
Between one and five years	0	361
Total	0	558
Less interest element	0	(403)
Capital due	0	155
Total capital due	453	640

The IT equipment lease treated as a Finance lease in 2003-2004 has been renegotiated to an operating lease.

15 Government grant reserve

	As at 31 March 2005 £000	As at 31 March 2004 £000
Balance brought forward	844	1,215
Amount used to purchase fixed assets	533	314
<i>Less: Movement on grant reserve</i>		
<i>Current year</i>	(404)	(685)
Balance carried forward	973	844

16 Revaluation reserve

	As at 31 March 2005 £000	As at 31 March 2004 £000
Balance brought forward	0	0
Arising on revaluations during the year	86	0
Balance carried forward	86	0

17 Financial instruments

Postwatch has no borrowings and relies on Grant-in-Aid income from the DTI for its cash requirements and is, therefore, not exposed to liquidity risk. It also has no investments and is, therefore, not exposed to interest rate risk. A notional cost of capital charge at the Treasury rate of 3.5% as applied to average net assets (including cash at commercial banks) is reflected in the accounts. However, the accounts also include a notional credit equivalent to this interest charge so there is no impact on the financial results for the year. All assets and liabilities are denominated in sterling and, therefore, there is no exposure to currency risk.

As permitted by FRS13 debtors and creditors which mature or become payable within 12 months from the balance sheet date have been omitted from this disclosure.

18 Contingent liabilities

A contingent liability exists in relation to legal costs for a judicial review Postwatch has sought on Postcomm's decision to accept the Royal Mail's interpretation of the bulk mail compensation scheme. Postwatch's considered view is that the rules have not been applied justly resulting in a shortfall of upto £40m in compensation payments and as a last resort is seeking clarification through a judicial review. A leading QC has advised that Postwatch has a strong case and if successful we should be awarded costs in the region of 65-70% of our costs. Total estimate of Postwatch's costs is £250,000.

There is a further contingent liability in relation to indemnifying Regional Committee Members against any civil liability. The indemnity will continue whilst the Regional Committee structure remains in place and it is, therefore, not possible to quantify a figure for any potential liability. The Department of Trade and Industry, as Postwatch's sponsor, has accepted the contingent liability. Historically there have been no claims against the indemnity.

The latter contingent liability is too remote to require disclosure under FRS 12, but as required by the Treasury, the DTI will disclose it as a contingent liability to be reported to Parliament.

19 Intra-government balances

	Debtors amounts falling due within one year £000	Debtors amounts falling due after more than one year £000	Creditors amounts falling due within one year £000	Creditors amounts falling due after more than one year £000
Balances with other central government bodies	49	0	143	0
Balances with local authorities	0	0	0	0
Balances with NHS Trusts	0	0	0	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to Government	264	0	684	560
At 31 March 2005	<u>313</u>	<u>0</u>	<u>827</u>	<u>560</u>

	Debtors amounts falling due within one year £000	Debtors amounts falling due after more than one year £000	Creditors amounts falling due within one year £000	Creditors amounts falling due after more than one year £000
Balances with other central government bodies	0	0	202	0
Balances with local authorities	0	0	0	0
Balances with NHS Trusts	0	0	0	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to Government	361	0	1,005	659
At 31 March 2004	<u>361</u>	<u>0</u>	<u>1,207</u>	<u>659</u>

Postwatch National Council and Executive

Peter Carr - Chairman, Finance Committee Chairman
Appointed 1 January 2001, reappointed 1 January 2004

Dr Tom Begg OBE, JP - Postwatch Deputy Chairman, Postwatch Scotland Chairman, Audit Committee Chairman
Appointed 1 January 2001, reappointed 1 January 2004

Moi Ali - Independent Complaint Review Board Chairman
Appointed 1 January 2001, reappointed 1 January 2004

Clara Arokiasamy - Research Committee member, Finance Committee member, Remuneration Committee member
Appointed 22 April 2002, reappointed 22 April 2005

Dr Diane Bailey - Counters Advisory Group Chairman, Research Committee Chairman, Audit Committee member
Appointed 1 January 2001, reappointed 1 January 2004

Helen Charlton - Remuneration Committee member
Appointed 1 January 2004

Dr David Bland OBE - Postwatch South East England Chairman, Personal and Small Business Users Group Chairman
Appointed 31 October 2002

Kay Dixon - Postwatch Greater London Chairman, Remuneration Committee Chairman
Appointed 1 January 2001, reappointed 1 January 2004

Judith Donovan CBE - Postwatch North Chairman, Trade Association Forum Chairman
Appointed 1 January 2001, reappointed 1 January 2004

Charles Howeson - Postwatch South and West Chairman
Appointed 1 January 2001, reappointed 1 January 2004

Eifion Pritchard QPM - Postwatch Wales Chairman
Appointed 1 January 2001, reappointed 1 January 2004

John Stringer OBE - Postwatch Northern Ireland Chairman, Audit Committee member
Appointed 1 March 2002, reappointed 1 March 2005

Richard Ward - Postwatch Midlands Chairman
Appointed 1 January 2001, reappointed 1 January 2004

Dr Charles Winstanley - Postwatch East Chairman, Finance Committee member
Appointed 1 December 2002

Gregor McGregor - Chief Executive and Accounting Officer

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